



Universidad
Politécnica
de Cartagena

Introduction to Economics

Unit 9

Monetary policy and the financial system

Grado en Turismo

Facultad de CC de la Empresa

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Bibliografía: Mochón, F. (2009): Economía y turismo. Editorial: McGraw Hill, Madrid.



2. Money

- Money, generally accepted as a means of payment
- Money origin, qualities, means of payment and store of value that avoids the double coincidence of interests
- Barter economy or exchange economy
- Goods as money versus fiduciary money



2. Money Supply and Demand

- Money supply or quantity of money
- Monetary aggregates
- Monetary base
- Money demand, money demand function
- Motives in the demand for money



3. Banks and money creation

- The origin of the banking business, intermediation and management between savings and investment
- Modifications of the money supply
- The process of money creation by the financial system
- The role of bank reserves
- The multiplier of bank money
- Credit expansion



4. Central Banks.

- The European System of Central Banks (ESCB) and the European Central Bank
- The Bank of Spain and the European Central Bank.
- Specific Functions: Save, Supervise, Promote, Put into circulation, Publish and prepare reports, State Bank and Government Advisor.
- ESCB functions: Define and execute monetary policy, Foreign exchange, Payment system and Issuance



5. Monetary policy, aggregate demand and inflation.

- Monetary policy instruments and effects
- The money multiplier
- Monetary policy and inflation
- The effects of inflation